

ENVIRONMENTAL PROTECTION

Overview

Background. The California Environmental Protection Agency (Cal-EPA) is charged with implementing federal and state environmental quality standards. This is done through regulatory programs and incentive programs that seek to improve the quality of the environment for all Californians. The Cal-EPA is led by the Secretary for Environmental Protection and the agency oversees the following boards, departments, and offices.

Boards:

- Air Resources Board
- Integrated Waste Management Board
- State Water Resources Control Board
(including the nine Regional Water Quality Control Boards)

Departments:

- Department of Pesticide Regulation
- Department of Toxic Substances Control

Offices:

- Office of Environmental Health Hazard Assessment

Governor's Budget. The Governor's budget proposes \$1.2 billion to support Cal-EPA in 2005-06. The Governor's proposal is 14 percent less than the level of expenditures estimated in the current year primarily due to a reduction in resources bond funds available for appropriation. The General Fund support for the agency has been reduced by \$4.7 million primarily due to the unallocated reductions proposed by the administration and a one-time General Fund outlay in the current year related to the state's takeover of a toxic landfill in Southern California.

Total State Fund Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
State Operations	\$833,467	\$978,733	\$145,266	17.4
Local Assistance	556,698	215,995	-340,703	-61.2
Capital Outlay	900	0	-900	-100.0
Total	\$1,391,065	\$1,194,728	-\$196,337	-14.1
Funding Source				
General Fund	\$73,562	\$68,903	-\$4,659	-6.3
Special Funds	799,640	947,391	147,751	18.5
Bond Funds	517,863	178,434	-339,429	-65.5
Total	\$1,391,065	\$1,194,728	-\$196,337	-14.1

Issues

Oversight of Enforcement. A recent news report spotlighting inaction by regulators in response to repeated water quality violations by the Hilmar Cheese Factory has raised questions about the effectiveness of the state's environmental enforcement activities. The Legislature and the administration spend a tremendous amount of time crafting laws and regulations that seek to improve environmental conditions, but without adequate enforcement these regulations do not meet their intended goals. The Legislature may want to spend some time surveying the adequacy of the state's enforcement resources and the effectiveness of the state's enforcement programs.

Unallocated Reductions. The Governor is proposing unallocated General Fund reductions as part of the budget proposal. The administration is directing department heads to determine the best way to make the reductions internally. Therefore, no details have been provided on what specific programs are being impacted as a result of the unallocated budget reductions. Approximately \$1.1 million General Fund is proposed for reduction across all of the Cal-EPA boards, departments, and offices for the current year and budget year combined. This is about 2 percent of Cal-EPA's General Fund budget proposed for 2005-06. Across the board reductions reduce legislative oversight since the Legislature does not participate or oversee the reductions made internally. The Legislature may wish to request that the administration report on the programs it plans to reduce as part of the unallocated reductions.

Governor's Reorganization Plan #1 (GRP 1). The Governor has proposed an executive reorganization plan that has been submitted to the Little Hoover Commission. The reorganization plan calls for the elimination of the Integrated Waste Management Board within Cal-EPA. The plan would transfer the activities of the board to a designee of the Secretary for Environmental Protection. The Legislature will want to evaluate the pros and cons of an independent board versus a department in evaluating the Governor's plan. The independence of a board can help ensure that mandates are achieved even when there are legislative or administration pressures to do otherwise. On the other hand, a department structure is generally more accountable to the administration and the Legislature than is a board structure. However, there is often less public accountability with a department since many department actions are not subject to public hearing processes. The Legislature will want to evaluate this and other factors in evaluating the merits of GRP 1.

0555 Secretary for Environmental Protection

Background. The Secretary for Environmental Protection heads the California Environmental Protection Agency (Cal-EPA). The secretary is responsible for overseeing and coordinating the activities of the boards, departments, and office under the jurisdiction of Cal-EPA.

Governor's Budget. The Governor's budget proposes \$8.5 million to support the Secretary for Environmental Protection. This is approximately the same level of funding than is estimated for expenditure in the current year. General Fund support for this office is proposed to remain about the same as the current year.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Administration	\$8,347	\$8,549	\$202	2.4
Unallocated Reduction	0	-21	-21	0.0
Total	\$8,347	\$8,528	\$181	2.2
Funding Source				
General Fund	\$1,325	\$1,321	-\$4	-0.3
Special Funds	2,740	3,816	1,076	39.3
<i>Budget Act Total</i>	<i>4,065</i>	<i>5,137</i>	<i>1,072</i>	<i>26.4</i>
Reimbursements	2,021	1,000	-1,021	-50.5
State Water Quality Control Fund	111	117	6	5.4
Environmental Enforcement and Training Account	2,000	2,124	124	6.2
Environmental Education Account	150	150	0	0.0
Total	\$8,347	\$8,528	\$181	2.2

Issues

Consolidation of Administrative Functions. Legislation was enacted as part of the budget process in 2004-05 to consolidate administrative functions within the Environmental Protection Agency. Specifically, the legislation sought to streamline and consolidate various administrative functions to reduce overlap and duplication of activities. Specifically, the legislation enacted sought to consolidate information technology, fee collection, procurement of basic office supplies, and generic human resource functions. The legislation also sought a consolidation of special fund sources that could be combined. The Legislature may wish to follow up on the implementation of this legislation by the administration.

3900 Air Resources Board

Background. The Air Resources Board (ARB), along with 35 local air pollution control and air quality management districts, protects the state's air quality. The local air districts regulate *stationary sources* of pollution and prepare local implementation plans to achieve compliance with federal and state standards. The ARB is responsible primarily for the regulation of *mobile sources* of pollution and for the review of local district programs and plans. The ARB also

establishes air quality standards for certain pollutants, administers air pollution research studies, and identifies and controls toxic air pollutants.

Governor's Budget. The Governor's budget proposes \$237 million to support the ARB in 2005-06. This proposal is a 42 percent increase from the current year primarily due to the expansion of the Carl Moyer program following legislation enacted in 2004 and augmentations to various air programs to reduce particulate emissions and NAFTA related pollution. General Fund support for ARB remains relatively unchanged in the budget year.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Mobile Source	\$118,247	\$183,946	\$65,699	55.6
Stationary Source	38,842	42,797	3,955	10.2
Subvention	10,111	10,111	0	0.0
Administration	11,481	11,571	90	0.8
<i>less distributed administration</i>	<i>-11,481</i>	<i>-11,571</i>	<i>-90</i>	<i>0.0</i>
Unallocated Reduction	0	-34	-34	0.0
Total	\$167,200	\$236,820	\$69,620	41.6
Funding Source				
General Fund	\$2,224	\$2,211	-\$13	-0.6
Special Funds	149,201	218,133	68,932	46.2
<i>Budget Act Total</i>	<i>151,425</i>	<i>220,344</i>	<i>68,919</i>	<i>45.5</i>
Federal Trust Fund	11,826	12,006	180	1.5
Reimbursements	3,950	4,470	520	13.2
Total	\$167,201	\$236,820	\$69,619	41.6

Highlights

Budget Implements Legislation to Expand Carl Moyer Air Quality Program. The Governor proposes \$25 million special funds to implement Chapter 707, Statutes of 2004 (AB 923, Firebaugh), which increases the tire fee to provide additional funding to the Carl Moyer program. The budget also reflects full-year funding (\$60.1 million special funds) for the Carl Moyer program provided from an increase in the smog check exemption fee enacted as part of the 2004-05 budget.

Budget Funds Programs to Address Fine Particulate Matter. The Governor proposes \$8.6 million special funds to implement programs to reduce the public's exposure to fine and ultra-fine particulate matter (PM2.5). The programs include the development and implementation of already identified control measures to achieve needed emission reductions for PM2.5 State Implementation Plans and reduce public exposure to diesel particulate matter. The programs also includes the preparation of PM2.5 State Implementation Plans that will set forth the additional types of sources of PM2.5 and the level of control that is required to attain the federal standards.

Funds Expansion of NAFTA Vehicle Emission Reduction Program. The Governor proposes \$3.7 million special funds to expand the Heavy-Duty Vehicle Inspection Program along the California-Mexico border area and the Port of Long Beach/Los Angeles. The funding will provide for the collection and analysis of data on Mexican fleet characteristics, fuel properties, and regional travel. The expanded program will add 16 new positions that will conduct random roadside inspections along the border region and full-time inspections at the Port of Long Beach/Los Angeles which is the expected destination of many of these trucks.

Expansion of Mobile Source Program. The Governor proposes \$3.5 million special funds to meet increased workload demand in the mobile source regulatory program. This increase would add more staff to the mobile source certification and testing programs, vapor recovery rule development and certification, small off-road engine certification, cargo tanks development of control measures, and portable equipment registration programs.

3910 Integrated Waste Management Board

Background. The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is disposed in landfills. The CIWMB administers various programs that promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly carried out by local enforcement agencies that are certified by the board. In addition, CIWMB oversees the cleanup of abandoned solid waste sites.

Governor's Budget. The Governor's budget proposes \$190 million to support CIWMB in the budget year. This is approximately 27 percent more than in the current year due to full-year costs associated with the E-Waste Recycling program. The board does not receive any General Fund support.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Permitting	\$153,836	\$195,072	\$41,236	26.8
Administration	8,835	8,924	89	1.0
<i>less distributed administration</i>	-8,835	-8,924	-89	0.0
<i>less loan repayments</i>	-4,297	-4,667	-370	0.0
Total	\$149,539	\$190,405	\$40,866	27.3
Funding Source				
Special Funds	\$145,961	\$189,711	\$43,750	30.0
Bond Funds	140	142	2	1.4
<i>Budget Act Total</i>	<i>146,101</i>	<i>189,853</i>	<i>43,752</i>	<i>29.9</i>
Special Deposit Fund	3,235	345	-2,890	-89.3
Reimbursements	204	207	3	1.5
Total	\$149,540	\$190,405	\$40,865	27.3

Highlights

Integrated Waste Management Board Proposed for Elimination. The Governor has proposed to eliminate the Integrated Waste Management Board as part of the Governor's Reorganization Proposal #1. The Governor proposes to transfer the board's activities to a designee of the Secretary for Environmental Protection.

Issues

E-Waste Recycling Program Implementation. The Waste Board, in conjunction with the Department of Toxic Substances Control and the Board of Equalization (BOE), has been working on the implementation of Chapter 526, Statutes of 2003 (SB 20, Sher) over the past year. There have been many problems with implementation of this program, including BOE's ability to register retailers and collect fees in a timely manner. The Legislature may wish to follow up on the implementation of this program, including any problems incurred in implementing the statute.

3930 Department of Pesticide Regulation

Background. The Department of Pesticide Regulation (DPR) administers programs to protect the public health and the environment from unsafe exposures to pesticides. The department (1) evaluates the public health and environmental impact of pesticides use; (2) regulates, monitors, and controls the sale and use of pesticides in the state; and (3) develops and promotes the use of reduced-risk practices for pest management. The department is funded primarily by an assessment on the sale of pesticides in the state.

Governor's Budget. The Governor's budget proposes \$62 million to support DPR in 2005-06, which is approximately the same level of expenditures as in the current year. The department does not receive any General Fund support.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Registration and Health Evaluation	\$17,126	\$18,117	\$991	5.8
Pest Management and Environmental Activities	42,992	43,780	788	1.8
State-Mandated Local Programs	1	157	156	15600.0
Administration	8,342	8,234	-108	-1.3
<i>less distributed administration</i>	<i>-8,342</i>	<i>-8,234</i>	<i>108</i>	<i>0.0</i>
Total	\$60,119	\$62,054	1,935	3.2
Funding Source				
General Fund	\$1	\$0	-1	-100.0
Special Funds	57,472	59,381	1,909	3.3
<i>Budget Act Total</i>	<i>57,473</i>	<i>59,381</i>	<i>1,908</i>	<i>3.3</i>
Federal Trust Fund	2,167	2,194	27	1.2
Reimbursements	479	479	0	0.0
Total	\$60,119	\$62,054	\$1,935	3.2

Issues

Under-Collection of the Mill Assessment. The DPR recently completed an audit of Long's Drug Stores and found that nonpayment of the mill on pesticide products legally registered in California was common. In addition, illegal sale of nonregistered pesticide products was also common statewide. The DPR estimates that the mill assessment is not assessed on \$200 million in registered consumer pesticides annually. This amounts to a loss of \$4 million a year in mill

assessments on the sale of registered products at the current mill rate. The mill losses are even larger if unregistered products found in the audit are included. The Legislature may wish to investigate this issue further and take action that would result in the collection of the mill on pesticides products sold by large chain outlets statewide. The mill fee is the primary funding source for DPR and is used to fund important programs that evaluate the public health and environmental impact of pesticide use and to regulate the industry.

3940 State Water Resources Control Board

Background. The State Water Resources Control Board (SWRCB), in conjunction with nine semi-autonomous regional boards, regulates water quality in the state. The regional boards—which are funded by the state board and are under the state board's oversight—implement water quality programs in accordance with policies, plans, and standards developed by the state board.

The board carries out its water quality responsibilities by (1) establishing wastewater discharge policies and standards; (2) implementing programs to ensure that the waters of the state are not contaminated by underground or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment, water reclamation, and storm drainage facilities. Waste discharge permits are issued and enforced mainly by the regional boards, although the state board issues some permits and initiates enforcement actions when deemed necessary.

The state board also administers water rights in the state. It does this by issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

Governor's Budget. The Governor's budget proposes \$729 million to support SWRCB in the budget year. This proposal is approximately \$300 million less than current year expenditure levels, mainly due to a reduction in the bond funding available for appropriation. General Fund support for the board is proposed to increase by \$1.4 million in the budget year due to increases related to employee compensation and federally mandated activities related to the cleanup of Leviathan Mine.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Water Quality	\$1,023,012	\$719,206	-\$303,806	-29.7
Water Rights	10,937	9,808	-1,129	-10.3
Administration	17,289	17,805	516	3.0
Less distributed administration	-17,289	-17,805	-516	0.0
Unallocated Reduction	-368	-454	-86	0.0
Total	\$1,033,581	\$728,560	-\$305,021	-29.5
Funding Source				
General Fund	\$27,883	\$29,236	\$1,353	4.9
Special Funds	320,470	351,177	30,707	9.6
Bond Funds	517,723	178,292	-339,431	-65.6
<i>Budget Act Total</i>	<i>866,076</i>	<i>558,705</i>	<i>-307,371</i>	<i>-35.5</i>
Federal Trust Fund	127,163	128,532	1,369	1.1
Reimbursements	10,014	9,815	-199	-2.0
State Water Quality Control Fund	21,130	22,130	1,000	4.7
State Water Pollution Control Revolving Fund	-2,682	-2,682	0	0.0
Petroleum Underground Storage Tank Financing Account	11,880	12,060	180	1.5
Total	\$1,033,581	\$728,560	-\$305,021	-29.5

Highlights

Budget Implements Legislation to Increase Funding for Orphan Site Cleanup. The Governor proposes to increase appropriation from the Underground Storage Tank Cleanup Fund (USTCF) by \$32.6 million, including transferring \$10 million to the Orphan Subaccount. The proposed funding would implement Chapter 774, Statutes of 2004 (AB 1906, Lowenthal) which increases the petroleum storage tank fee and creates the Orphan Subaccount within the USTCF. The funds in the Orphan Subaccount are proposed to be used to remediate Brownfield sites in which petroleum contamination is the principle source of contamination. The \$22.5 million increase in funding for the USTCF will be used to finance cleanup of additional claims on the state's current priority list. The Governor also proposes to appropriate \$15 million in USTCF

that have been reverted from prior year appropriations. These funds will be used to accelerate the reimbursement of cleanup costs.

Budget Implements Legislation to Re-Establish RUST Program. The Governor proposes \$11.7 million to implement Chapter 624, Statutes of 2004 (AB 1068, Liu) that re-established the Repair and Replacement of Underground Storage Tanks (RUST) loan and grant program. This program provides loans for small businesses to repair, replace, or remove petroleum underground storage tanks to meet applicable standards. This funding would also be used to fund Chapter 649, Statutes of 2004 (AB 2955, McCarthy) that created a new grant program within RUST to provide funding for certain small businesses to install equipment for long-term leak detection monitoring.

Acceleration of Brownfield Reuse. The Governor proposes to provide \$1.6 million and 15 positions to SWRCB to oversee the investigation and cleanup of military bases and new Brownfield sites. This proposal is in response to Chapter 705, Statutes of 2004 (AB 389, Montanez) that will likely increase the number of Brownfield properties that the state will be asked to oversee. Current statute allows certain persons to obtain liability protection if they purchase and remediate a Brownfield property under the oversight of the Department of Toxic Substances control or the SWRCB. Also included in the Governor's proposal is additional funding and positions at the Department of Toxic Substances Control.

Wetlands Protection. The Governor proposes to establish 7.4 positions to operate a regulatory program that protects wetlands no longer under the jurisdiction of the federal government due to the U.S. Supreme Court's "SWANCC" decision.

Additional Bond Funds Proposed for Expenditure. The Governor proposes allocation of \$165.4 million in bond funds from Propositions 13 and 50 resources bonds. The bond funds are allocated to the following programs consistent with allocations specified in the bond acts.

- Coastal Water Quality Grants (\$66.5 million - Proposition 50).
- Integrated Regional Water Management Grants (\$55 million - Proposition 50).
- Clean Water and Water Quality Grants (\$20.7 million - Proposition 50).
- Groundwater Monitoring Program (\$10 million - Proposition 50).
- Water Recycling Grants (\$6.4 million - Proposition 13).
- Non-Point Source Pollution Control Program Grants (\$3.9 million - Proposition 13).
- Watershed Protection Grants (\$1.9 million - Proposition 13).
- Coastal Non-Point Source Pollution Control Program Grants (\$385,000 - Proposition 13).
- Ag Water Quality and Dairy Water Quality Grant Program—State Operations (\$615,000 - Proposition 50).

Issues

Implementation of Bond Programs. The SWRCB has been the target of many complaints regarding its ability to issue bond awards in a timely manner. Participants in the board's process

often complain about the length of time it takes for the board to process an application and reward a grant. During budget hearings in 2004, the board indicated that it was taking several steps to streamline and shorten the time it takes to review and award grants under its various bond programs. The Legislature may wish to follow-up on the implementation of these steps and the progress the board has made in improving the processing of grant awards.

Coordination of Ag Water Quality Grant Programs, Federal Grant Programs, and State Ag Waiver Regulatory Program. In the current year, legislation was enacted to provide bond funding for a new Ag Water Quality Grant Program and Dairy Water Quality Grant Program. These grant programs provide funds to support monitoring, demonstration, research, and construction of projects to reduce pollutants in agricultural drainage water and groundwater contamination. The federal government implements a similar program called the Environmental Quality Incentives Program that provides federal funds and technical assistance to farmers and ranchers implementing conservation plans to improve water quality. In addition, the SWRCB is also required to issue and enforce waivers for waste discharge requirements for agricultural dischargers. During the 2004-05 budget process the legislature requested a report on the coordination of these programs, including suggested legislative changes that may improve coordination. The Legislature may want to review this report and enact changes that will improve the coordination of these funds and regulatory actions to improve the quality of agricultural drainage water and groundwater.

In-Stream Flow Requirements on North Coast Streams. Legislation was enacted, Chapter 943, Statutes of 2004, (AB 2121, Committee on Budget), that requires the SWRCB to adopt, as state policy, guidelines developed by the State Department of Fish and Game and the National Oceanic and Atmospheric Administration regarding the amount of water needed in certain North Coast rivers for certain fish species. The legislation specifies that the board adopt these guidelines as state policy within two years after necessary environmental reviews are completed. The 2004-05 budget provided \$1.5 million from tidelands oil revenues to fund in-stream flow requirements at the SWRCB. However, the administration's most recent estimates of tidelands oil revenues are significantly lower than previously anticipated due to a lawsuit by the City of Long Beach. Therefore, there may not be sufficient tidelands oil revenues to fund this activity in the current year. The Legislature may wish to follow-up on the administration's plans to implement AB 2121, including funding and a realistic timeframe for completing in-stream flow requirements.

3960 Department of Toxic Substances Control

Background. The Department of Toxic Substances Control (DTSC) regulates hazardous waste management, cleans up or oversees the cleanup of contaminated hazardous waste sites, and promotes the reduction of hazardous waste generation. The department is funded by fees paid by persons that generate, transport, store, treat, or dispose of hazardous wastes; environmental fees levied on most corporations; the General Fund; and federal funds.

Governor's Budget. The Governor's budget proposes \$171 million to support DTSC in 2005-06. This is approximately \$3 million more than estimated for expenditure in the current year. This increase is mainly due to employee compensation and augmentations proposed for the Brownfield reuse program. General Fund support for the department is proposed to decrease by

14 percent mainly due to backing out one-time funding in the current year used to take over operations of a toxic landfill in Southern California.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Site Mitigation and Brownfields Reuse	\$94,123	\$94,595	\$472	0.5
Hazardous Waste Management	60,412	65,349	4,937	8.2
Science, Pollution Prevention, and Technology	12,207	10,798	-1,409	-11.5
Capital Outlay	900	0	-900	-100.0
Administration	33,520	34,572	1,052	3.1
<i>less distributed administration</i>	<i>-33,520</i>	<i>-34,572</i>	<i>-1,052</i>	<i>0.0</i>
Unallocated Reduction	0	-143	-143	0.0
Total	\$167,642	\$170,599	\$2,957	1.8
Funding Source				
General Fund	\$21,072	\$18,186	-\$2,886	-13.7
Special Funds	118,679	119,865	1,186	1.0
<i>Budget Act Total</i>	<i>139,751</i>	<i>138,051</i>	<i>-1,700</i>	<i>-1.2</i>
Federal Funds	21,691	24,948	3,257	15.0
Reimbursements	8,699	9,700	1,001	11.5
Superfund Bond Trust Fund	-2,500	-2,100	400	0.0
Total	\$167,641	\$170,599	\$2,958	1.8

Highlights

Acceleration of Brownfield Reuse. The Governor proposes \$1.7 million and 15 positions to DTSC to oversee nonmilitary-base Brownfield properties including additional Brownfield sites likely to be identified given the implementation of AB 389. This legislation allows certain persons to obtain liability protection if they purchase and remediate a Brownfield property under the oversight of DTSC or the State Water Resources Control Board. Also included in the Governor's proposal is additional funding and positions for the State Water Resources Control Board.

Proposes Permanent Funding to Evaluate Potential School Sites. The Governor proposes making eight limited-term positions permanent and allocates \$815,000 from reimbursements to DTSC for the review of plans to construct new or expand existing schools using state funds. The

DTSC evaluates the plans to ensure that the proposed site is free from exposure to hazardous substances. The DTSC was required to review these plans by Chapter 992, Statutes of 1999 (AB 387, Wildman) and Chapter 1002, Statutes of 1999 (SB 162, Escutia).

Issues

State Takeover of Class I Landfill. The administration requested \$1.8 million General Fund to take over operation of a Class I landfill in West Covina owned by BKK Corporation. The BKK Corporation was no longer able to fund all of its obligations to maintain the Class I landfill that is in post-closure. Therefore, DTSC has taken over operation of the landfill in the short term while efforts to identify responsible parties are in process. The DTSC has notified the parties responsible for the contamination and will be working on a plan for long-term maintenance of this site. The state is a responsible party since Caltrans was a large contributor of hazardous materials to this site while it was open. The Legislature may wish to evaluate the mechanisms in place to fund long-term care of closed landfills containing hazardous waste, including alternative mechanisms for funding the state's share of responsibility.

3980 Office of Environmental Health Hazard Assessment

Background. The Office of Environmental Health Hazard Assessment (OEHHA) identifies and quantifies the health risks of chemicals in the environment. It provides these assessments, along with its recommendations for pollutant standards and health and safety regulations, to the boards and departments in the California Environmental Protection Agency and to other state and local agencies. The OEHHA also provides scientific support to environmental regulatory agencies.

Governor's Budget. The Governor's budget proposes \$14.8 million to support OEHHA in the budget year. This is about the same level of expenditure authority as in the current year. General Fund support for the office is proposed at \$7.9 million, which is slightly more than current-year expenditures due to employee compensation increases and a proposed augmentation to evaluate sensitive subpopulations when developing Public Health Goals.

Summary of Expenditures (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Health Risk Assessment	\$14,992	\$14,924	-\$68	-0.5
Administration	2,939	2,969	30	1.0
<i>less distributed administration</i>	-2,939	-2,969	-30	0.0
Unallocated Reduction	0	-122	-122	0.0
Total	\$14,992	\$14,802	-\$190	-1.3
Funding Source				
General Fund	\$7,692	\$7,852	\$160	2.1
Special Funds	5,117	5,308	191	3.7
<i>Budget Act Total</i>	<i>12,809</i>	<i>13,160</i>	<i>351</i>	<i>2.7</i>
Federal Trust Fund	345	0	-345	-100.0
Reimbursements	1,840	1,642	-198	-10.8
Total	\$14,994	\$14,802	-\$192	-1.3

Highlights

Additional Evaluation of Sensitive Populations. The Governor proposes \$203,000 General Fund to support enhanced consideration of potential sensitive subpopulations when developing Public Health Goals. Consideration of sensitive subpopulations when developing Public Health Goals is required by Chapter 673, Statutes of 2004 (AB 2342, Jackson).

Issues

Adequacy of Funding. The Office of Environmental Health Hazard Assessment has suffered significant General Fund reductions over the last several years. However, some efforts have been made to diversify its funding sources over the past few years so that it is not over-reliant on the General Fund for support. Regardless of the efforts over the past few years, it is not clear that OEHHA's current level of funding is adequate to fund all of its mandates effectively. This is especially of concern given the new mandates required by AB 2342 that requires OEHHA to consider the impacts on sensitive subpopulations. The Legislature may wish to evaluate additional funding sources for OEHHA's activities, including finding additional special funding sources that may be appropriate.